



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 1008 (1945)

April 16, 1984

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SUBJECT: Emergency (EM) Loan Issues

TO: All State Directors, District Directors,  
and County Supervisors

Program assessment reviews have been conducted over the past 3 years. You have been informed of the deficiencies found during those reviews and have been given recommendations for making necessary corrections. We have now received an Interim Audit Report "Emergency (EM) Loan Program Monitoring of Disaster Programs Eligibility - Accountability," based on recent findings by the Office of Inspector General (OIG) which indicates the same types of discrepancies/deficiencies continue to be found in the administration of the EM loan program.

It is imperative that FmHA employees, at all levels of authority, take prompt and appropriate steps to minimize or eliminate these recurring deficiencies. Each of you is responsible for assuring that the EM loan program is administered in accordance with FmHA Instruction 1945-A, 1945-D and all other pertinent regulations.

The deficiencies enumerated by the OIG follow, along with our direction for corrective measures to be taken by you.

1. Deploy State Emergency Loan Assessment Teams (ELATs) to designated areas to expedite the processing of applications and minimize EM loan processing errors, as required by Section 1945.31 of FmHA Instruction 1945-A. Early monitoring should detect significant problems and minimize the improprieties found.

2. Assure that a minimum of 16 hours of EM training is given to employees processing EM loan applications in disaster areas, utilizing the training handbook distributed by the National Office for that purpose.

3. Identify problem areas and provide corrective guidance through use of both individual and group training sessions, and through the issuance of State bulletins highlighting significant issues of concern.

4. Develop and maintain a good public relations program to inform the public of the availability of the EM loan program and the objectives of the program.

5. Use EM application kits in processing loans.

EXPIRATION DATE: December 31, 1984

FILING INSTRUCTIONS:

Preceding FmHA Instruction 1945-D



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6. Review the test for credit requirements (see §1945.156 on pages 10-14 of FmHA Instruction 1945-D) and improve documentation of the eligibility findings on these particular requirements.

7. County Supervisors should not involve the County Committee in projected repayment ability and security considerations, except when in need of advice to help supervisors make their own decisions on these issues. Promptly notify, in writing, each applicant of the County Committee's eligibility determination.

8. Require and perform a year-end analysis of the previous year's operation before developing the projected year's income, expenses, planned improvements and repayment ability with the applicant/borrower. A realistic plan of operation, well documented, is the primary document supporting the feasibility and soundness of a proposed loans(s).

9. Production loss calculations are not always correct, causing loans to be made which are improper, and when identified will have to be collected immediately. Double check all loss calculations before taking applications to the County Committee.

10. Use the highest priority records available for each year on each commodity when calculating normal year yields (see FmHA Instruction 1945-D, §1945.163 (a) (1)). We must always use ASCS established yields, if they are available, before using county or State averages.

11. Production loss loans scheduled for longer than 7 years need to be particularly well documented, i.e., the cash flow projections must justify the need for a longer repayment period.

12. The method set out in your State Supplements must be used when calculating losses to pasture. Better guidelines need to be established defining what constitutes unimproved (native) and improved pasture.

13. Assign normal year yields to all unplanted acreage covered by a Payment in Kind (PIK) contract, when calculating losses on Form FmHA 1945-26.

14. Assign normal year yields to any acreage which suffered a loss, when that loss was not caused by the designated natural disaster(s) condition, or if that loss did not occur during the timeframe established by the beginning and ending incidence period dates.

15. Verify any differences between the farmer's own records on acreage or yields and the records kept by ASCS. Document these results and use ASCS records if you determine the farmer's explanation does not resolve the discrepancy.

16. The same year yields must be eliminated for all commodities constituting the total farming operation in the disaster year when calculating the normal year yields.

17. Applicants must have an ownership interest in any crop for which they claim a loss. Loss of income to a custom operator cannot be counted. Custom operators are not considered farmers by FmHA definition.